



**Beyond planning – CFO  
leadership for the real world**  
*Forget about the numbers and get back to  
work!*

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# Square Peg International: Business Consultants focused on the people side of change



In less than 3 years we have supported 15 good clients in over 20 countries on 5 continents

## Who are we

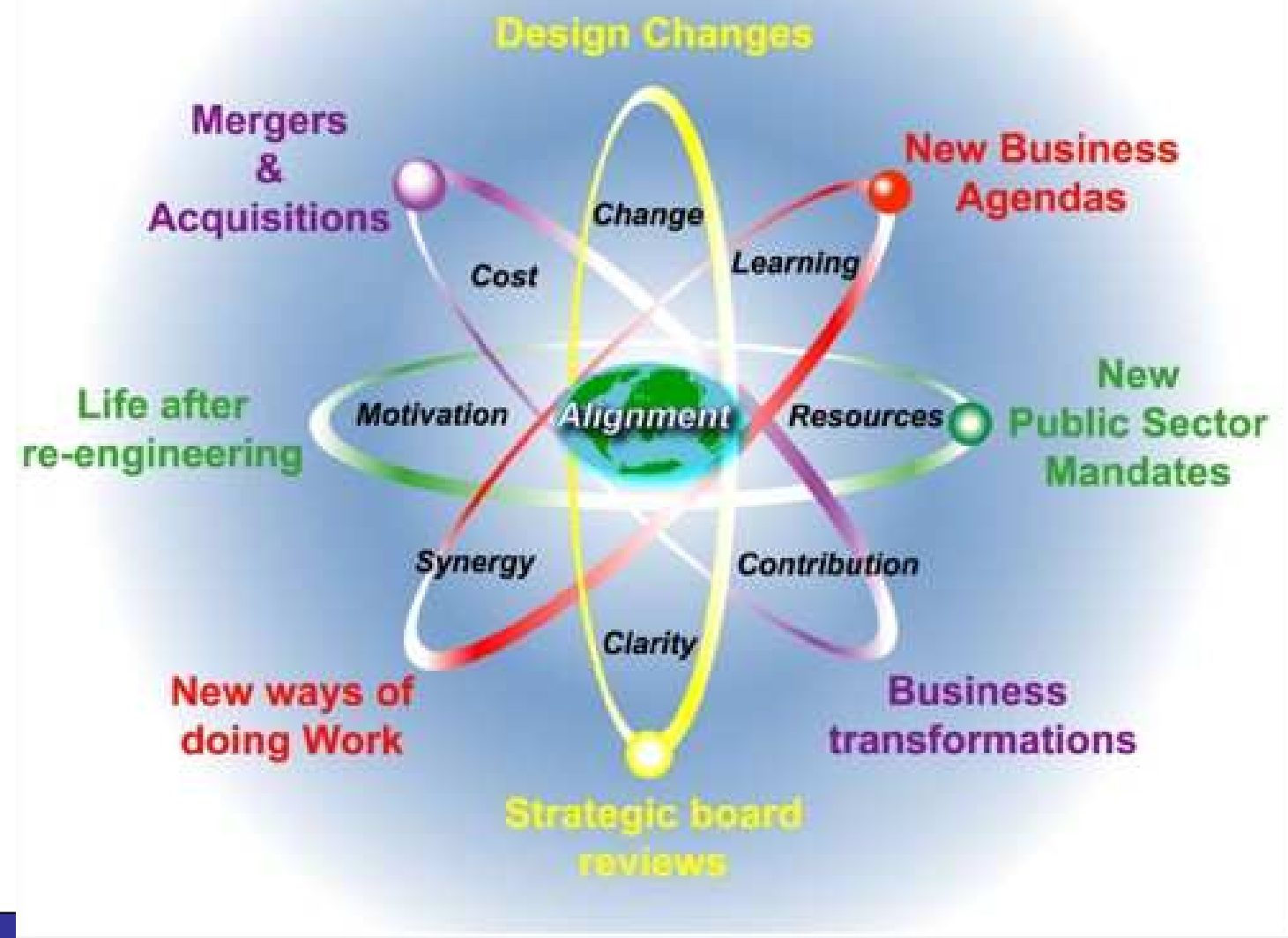
Our associates work everywhere in the world. They come from large multinational organisations and small focused speciality areas. They have been CEO's, line managers, strategists, senior leaders, HR experts. They have been in the thick of things.

Our associates have managed major change events, provided stability in crisis situations, lead complex initiatives, been in the throws of reorganisations and experienced the politics and stress of board operations.

Where we focus our thought leadership efforts



Because these events are what are keeping our clients awake at night



# Agenda

- **Introduction** – FD's are poised for success
- **Looking in** – managing internal expectations and change
- **Looking out** – the real world - recent survey results
- **Looking forward** – four concepts for the future

How many new Polish accountants are in the UK?



3,425 accountants

5.7% of the Polish workforce that has moved to the UK since Poland joined the EU in May 2004

Who won CFO's magazine's "most creative financial officer of the year award for 1999"?



Enron's Andrew Fastow – who was not, incidentally a certified public accountant

How many CFO's become CEO's?



As of last October, 1/5 of fortune 500 companies have their former CFO's in place as CEO

If Finance is outsourcing other corporate areas,  
what is happening to Finance?

VIRTUAL FINANCE OFFICER/DIRECTOR



# And the popular trade press has joined the bandwagon

## The future of the finance director



Key findings from the study:

- Accountants in business no longer have to concern themselves with number-crunching alone
- They need sound commercial judgment in a broad sense
- Their financial expertise is expected.
- Focus less on standard financial processes and more on strategy and business development.
- Increasingly looking to outsource financial processes
- Use finance skills for the 'bigger picture'
- Regard 'integrity' as the most important quality required of an FD

The Institute of Chartered Accountants in England & Wales.

Conclusion: The Finance Function is Changing  
and good  
CFO's are poised for success

- No executive is under the illusion of failing to hit the numbers – especially the CFO
- CFO's have developed a sharp awareness of the risk factors in different markets
- They have been in the board room listening to when things have gone wrong
- They understand the interrelationship of Risk and Value

## So what are the barriers?

- **In the Business**
  - Too interested in the numbers and insufficiently sensitive to the broader needs of the organisation – subject matter experts.
  - Not tightly linked to developing new products or investing in staff (people – not depreciating assets)
- **In Play**
  - Neglecting or consciously deciding not to demonstrate to senior leaders or partners the strategic value of their involvement.
  - Being poor communicators of their strategic insight and value in driving the business forward.
- **In human**
  - Not thinking of the “total employee” or “total partner” (in the case of professional services firms) experience related to finance.
  - Being reactive to organisational change, not proactive to emerging commercial issues and opportunities that could significantly move the organisation ahead – demonstrating true commercial finance skills.

# LOOKING IN

$$S = \frac{D}{E}$$

Expectation #1

No surprises

Stewardship

Controls

## Expectation #2

### Integrated function

No silos across the system

Integrated Finance/IT/HR – user experience

“CFOs need deep and broad knowledge.  
There can be no Ivory towers anymore.  
The CFOs have got to get out and talk to  
people.”

Norman Lyle, former group Finance Director of Jardine Matheson in  
Hong Kong

“When I hear a strategic plan has come out of the finance function, I know that is a stock to avoid.”

John Connors, former CFO at Microsoft

## Expectation #3

### Execution excellence

- Seamless delivery every day
  - Speed and quality
- Expert at driving and managing change within the function

## Expectation #4

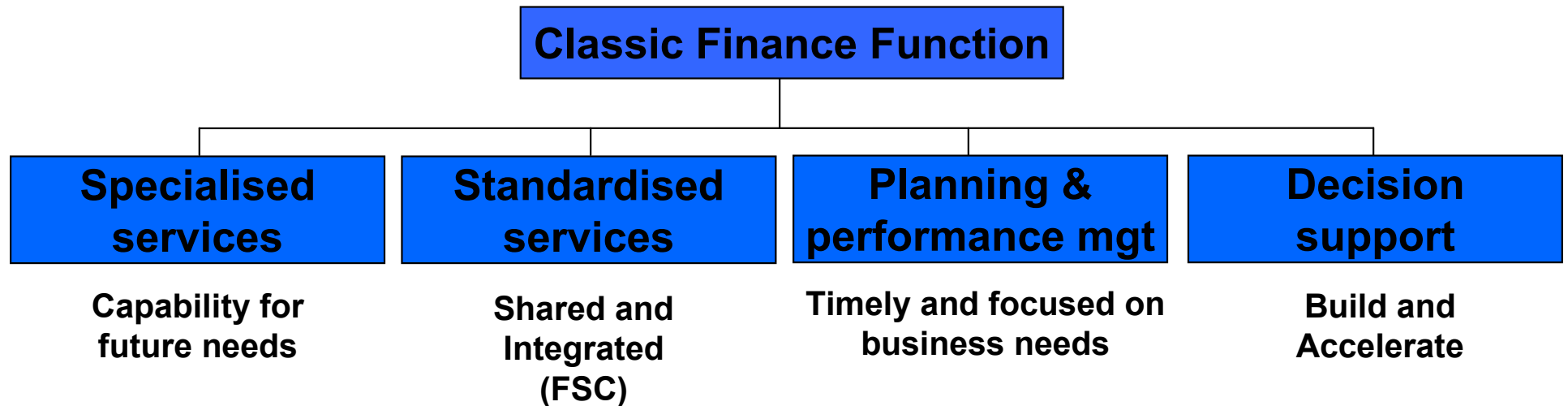
### Strategic Business Partner

- “A report is not enough”
  - “Get on the trucks”
- Expert at driving and managing change in the business

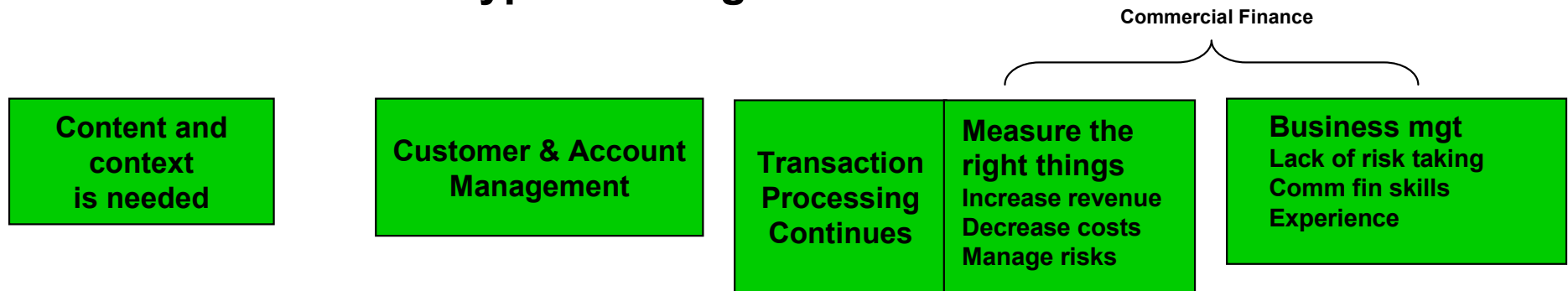
“Even the most highly regarded financial brains can get things terribly wrong if their vision is not tempered with realism and sound business judgement.”

John Mayo, former finance director of GEC/Marconi

Expectations are directly linked to typical change issues  
 - Creating Value in the Finance Function -



**Typical change issues**



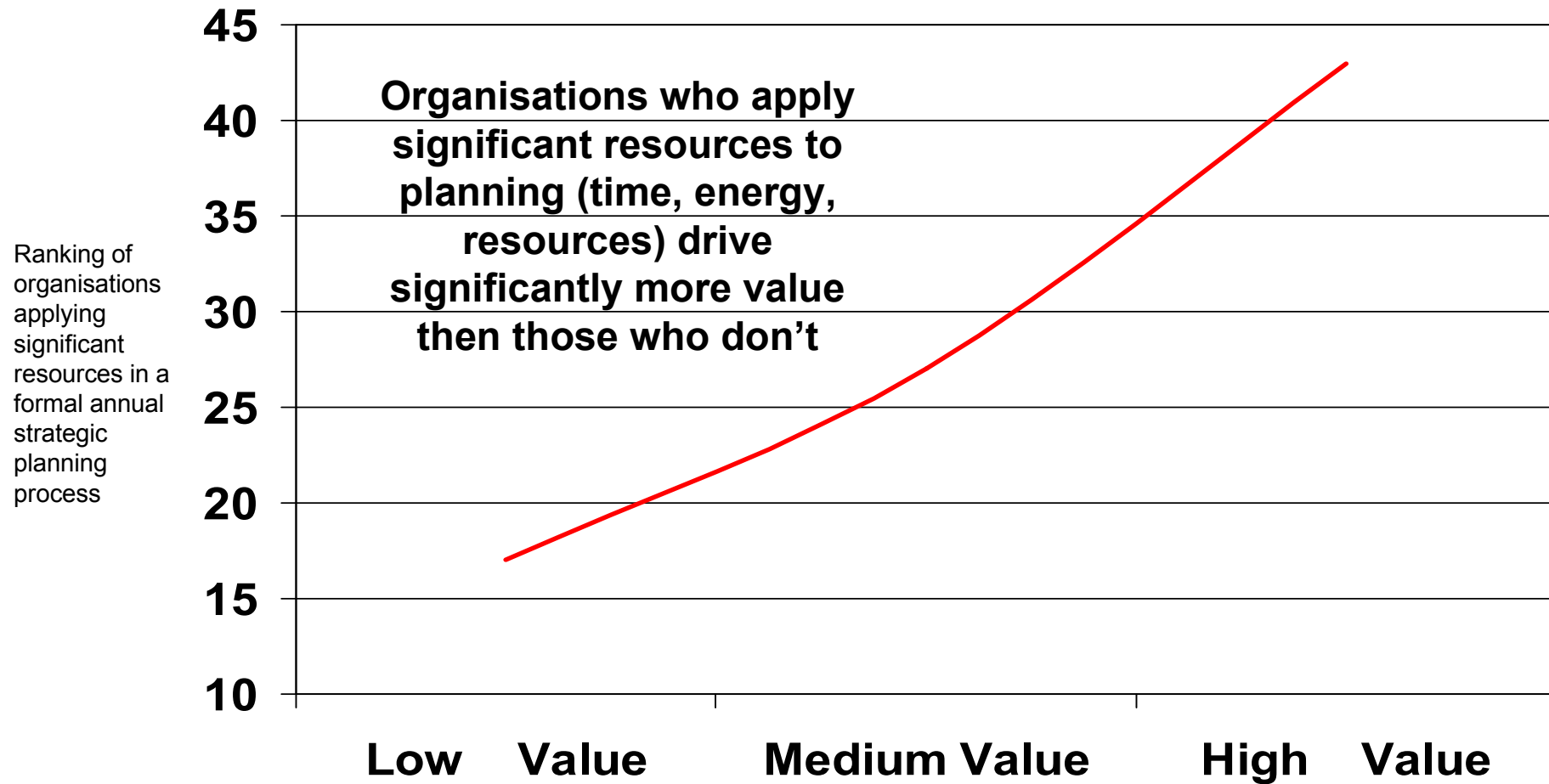
# LOOKING OUT

**The traditional approach to planning and budgeting is becoming outdated and in fact may provide us with 'Red Herrings'**

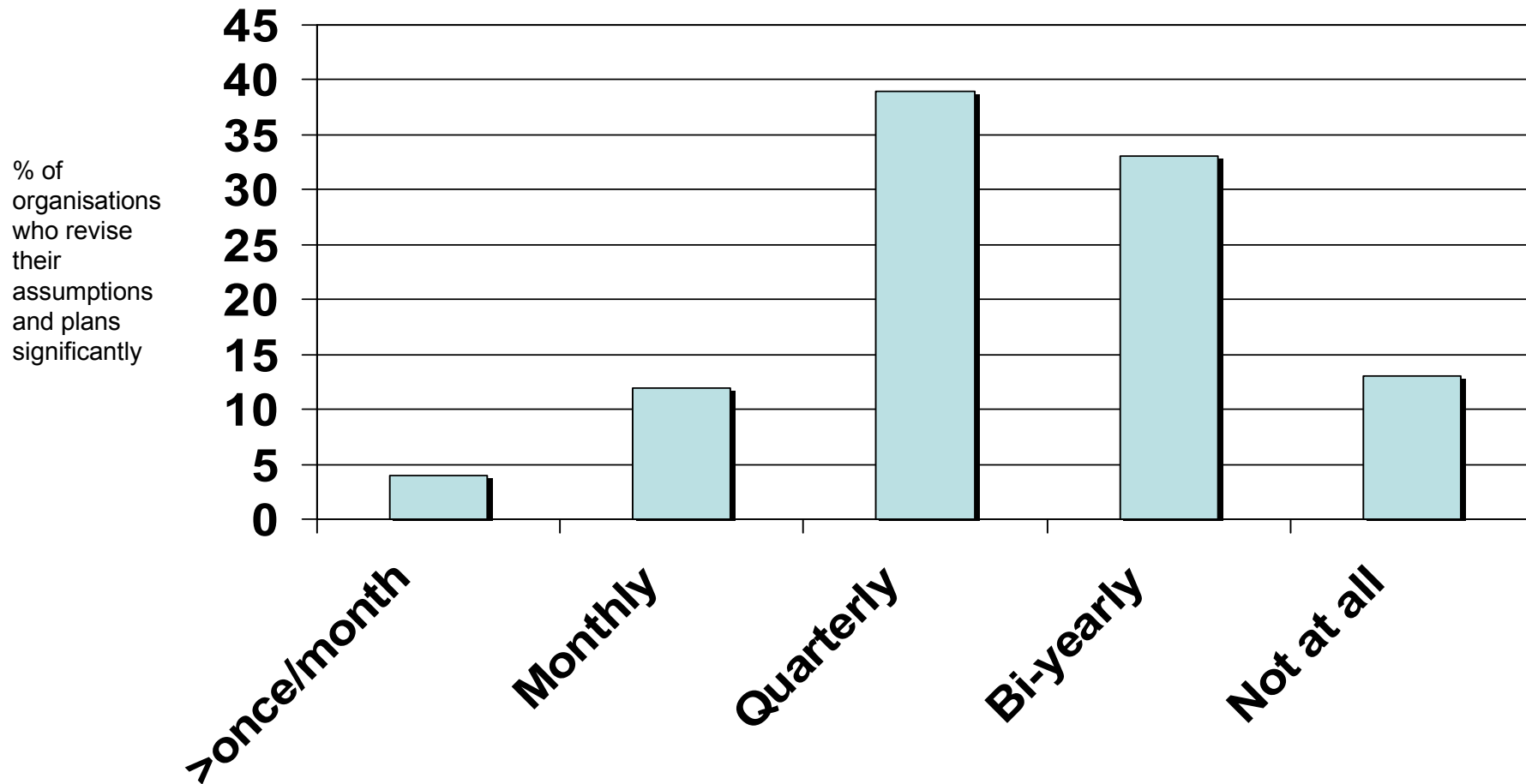
## Participant's comments with regard to their annual planning processes

- Pipeline building
- Sandbagging numbers
- Back stabbing
- Point scoring
- Driving negative behaviours – particularly in cost centres
- False engagement
- Becomes I not we
- Acts against doing the right think
- The usual Easter egg hunt
- Passing the buck
- Value not perceived

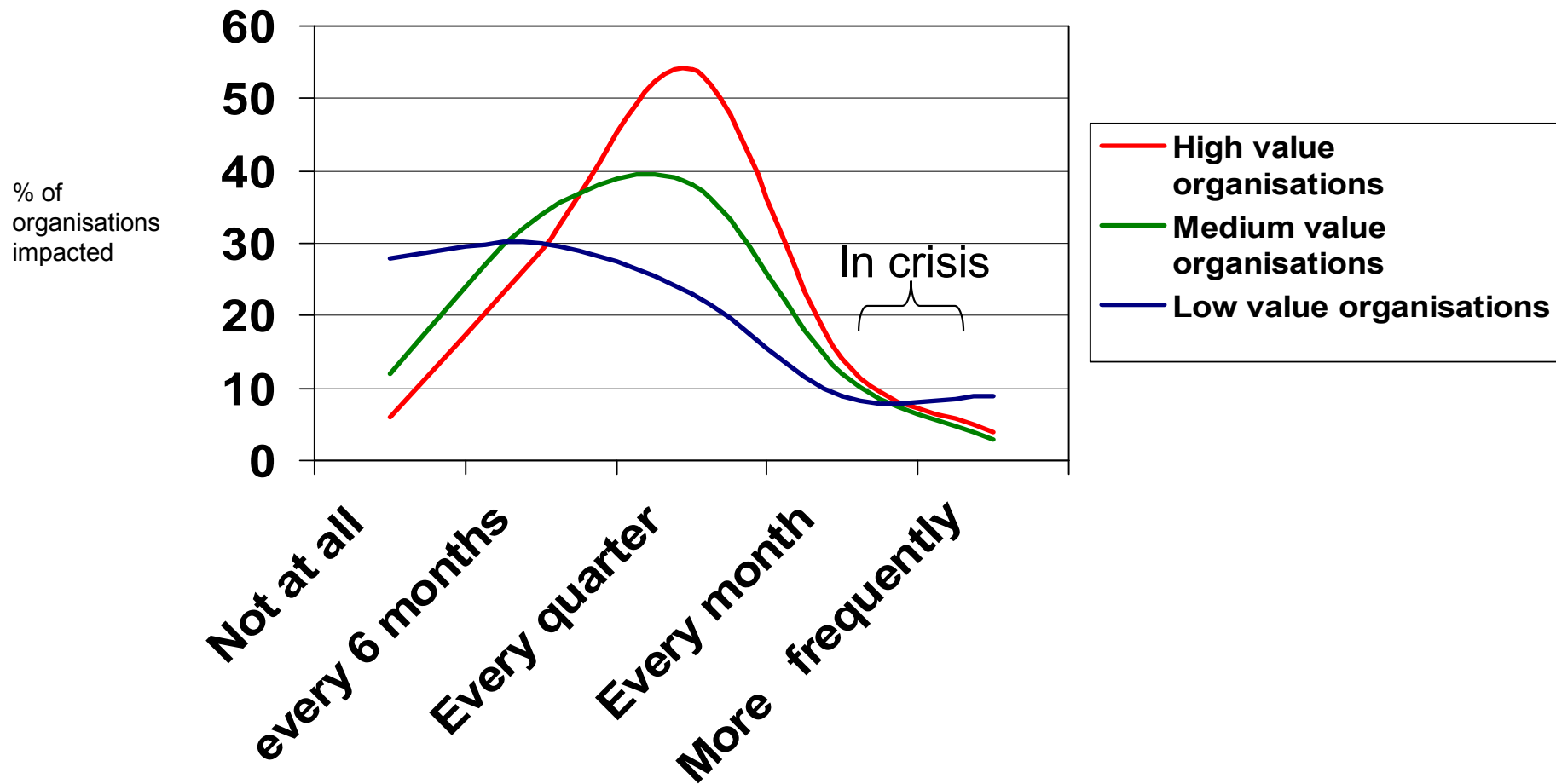
## Planning adds value



## Once in place plans typically need to be changed.



**High value organisations regularly review their assumptions and their plans.**  
 Resulting in significant re-forecast budgets and reallocated resources



Many companies are highly dissatisfied with both the process involved and in the results derived from their planning, budgeting and forecasting.

- The plan is not clearly linked to strategy (56%)
- Targets are not strongly linked to external economic data (67%)
- Budgeting is mainly a number crunching exercise (47%)
- Different functions do not talk to each other during the process (46%)
- Technology makes the process neither faster nor more effective (63%)
- The company often misses earnings targets (30%)

(American Productivity and Quality Centre, Financial Fitness Survey, June 2006)

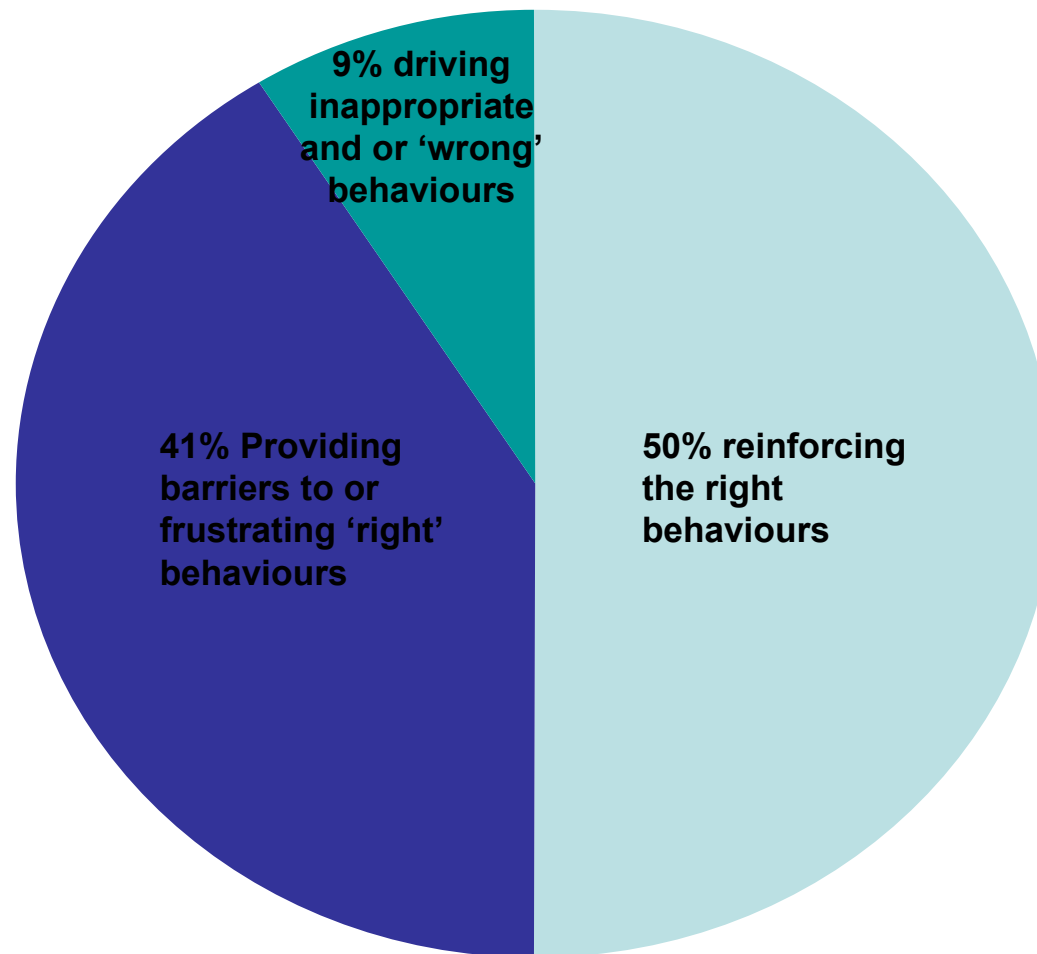
**“Our planning process is like some primitive tribal ritual. There is a lot of dancing, waving of feathers, and beating of drums. No one is exactly sure why we do it, but there is an almost mystical hope that something good will come out of it.”**

**An executive client of MCKinsey**

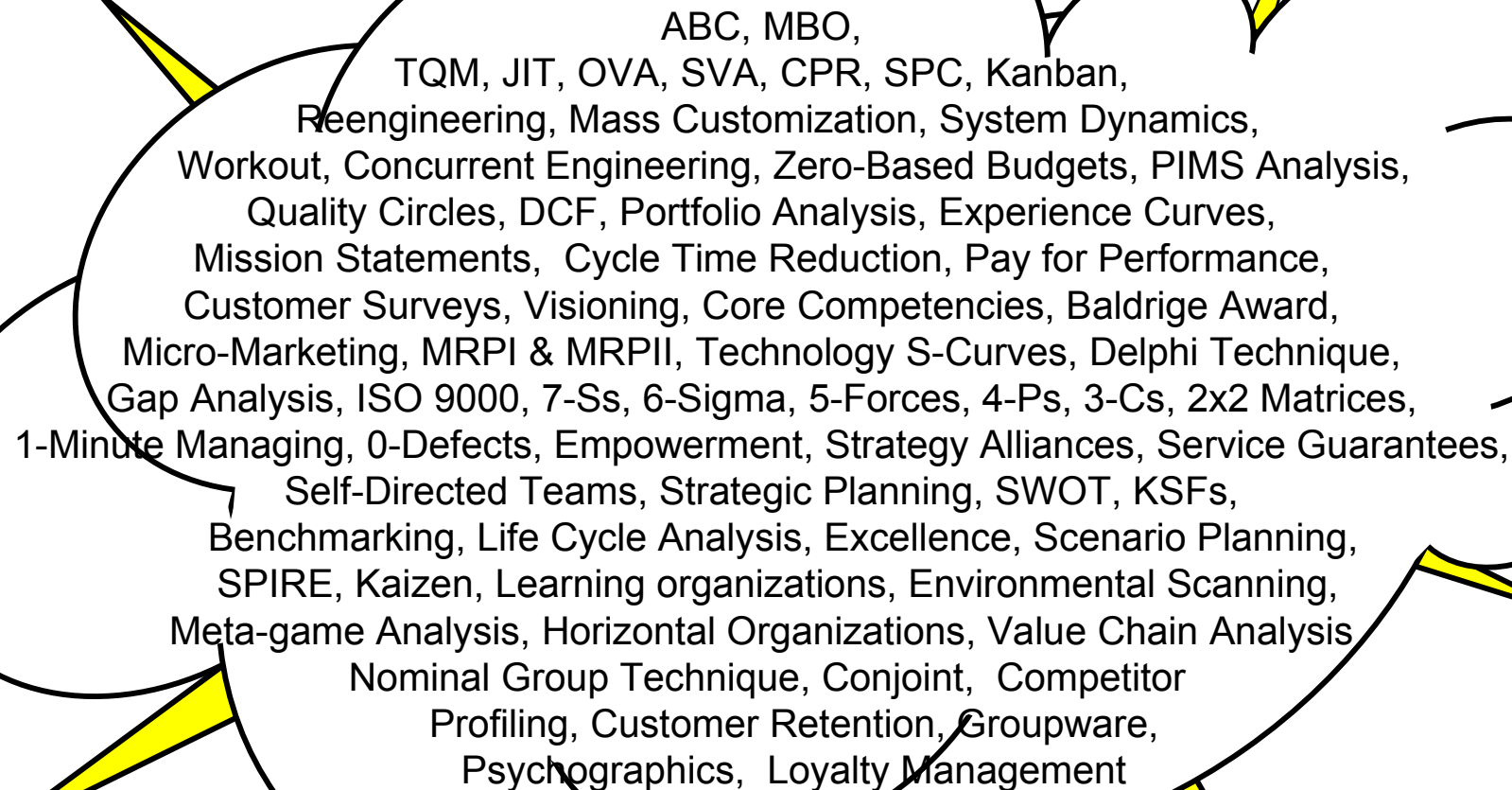
**Our approach to planning and budgeting is becoming outdated and in fact may be 'Red Herrings'**

**Our addiction to processes are becoming barriers (especially annual processes)**

**Processes and policies  
frustrate the 'right' behaviours and drive the 'wrong' ones.**

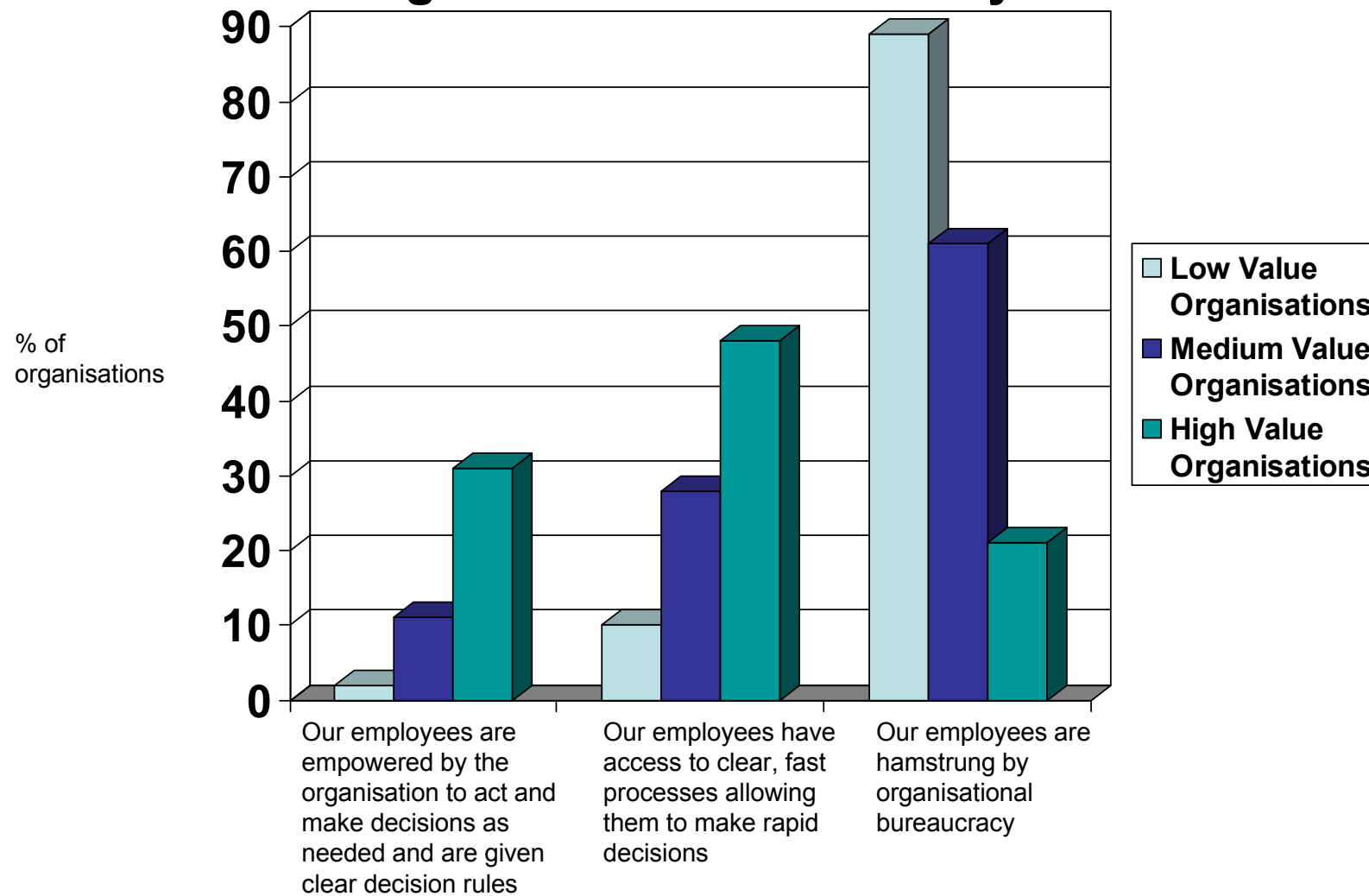


Perhaps because there are so many of them  
An explosion of management tools

A large, stylized thought bubble with a black outline and several yellow lightning-bolt-like spikes pointing outwards. It contains a list of various management tools and techniques.

ABC, MBO,  
TQM, JIT, OVA, SVA, CPR, SPC, Kanban,  
Reengineering, Mass Customization, System Dynamics,  
Workout, Concurrent Engineering, Zero-Based Budgets, PIMS Analysis,  
Quality Circles, DCF, Portfolio Analysis, Experience Curves,  
Mission Statements, Cycle Time Reduction, Pay for Performance,  
Customer Surveys, Visioning, Core Competencies, Baldrige Award,  
Micro-Marketing, MRPI & MRPII, Technology S-Curves, Delphi Technique,  
Gap Analysis, ISO 9000, 7-Ss, 6-Sigma, 5-Forces, 4-Ps, 3-Cs, 2x2 Matrices,  
1-Minute Managing, 0-Defects, Empowerment, Strategy Alliances, Service Guarantees,  
Self-Directed Teams, Strategic Planning, SWOT, KSFs,  
Benchmarking, Life Cycle Analysis, Excellence, Scenario Planning,  
SPIRE, Kaizen, Learning organizations, Environmental Scanning,  
Meta-game Analysis, Horizontal Organizations, Value Chain Analysis  
Nominal Group Technique, Conjoint, Competitor  
Profiling, Customer Retention, Groupware,  
Psychographics, Loyalty Management

## Employees in high value organisations feel less hamstrung by organisational bureaucracy



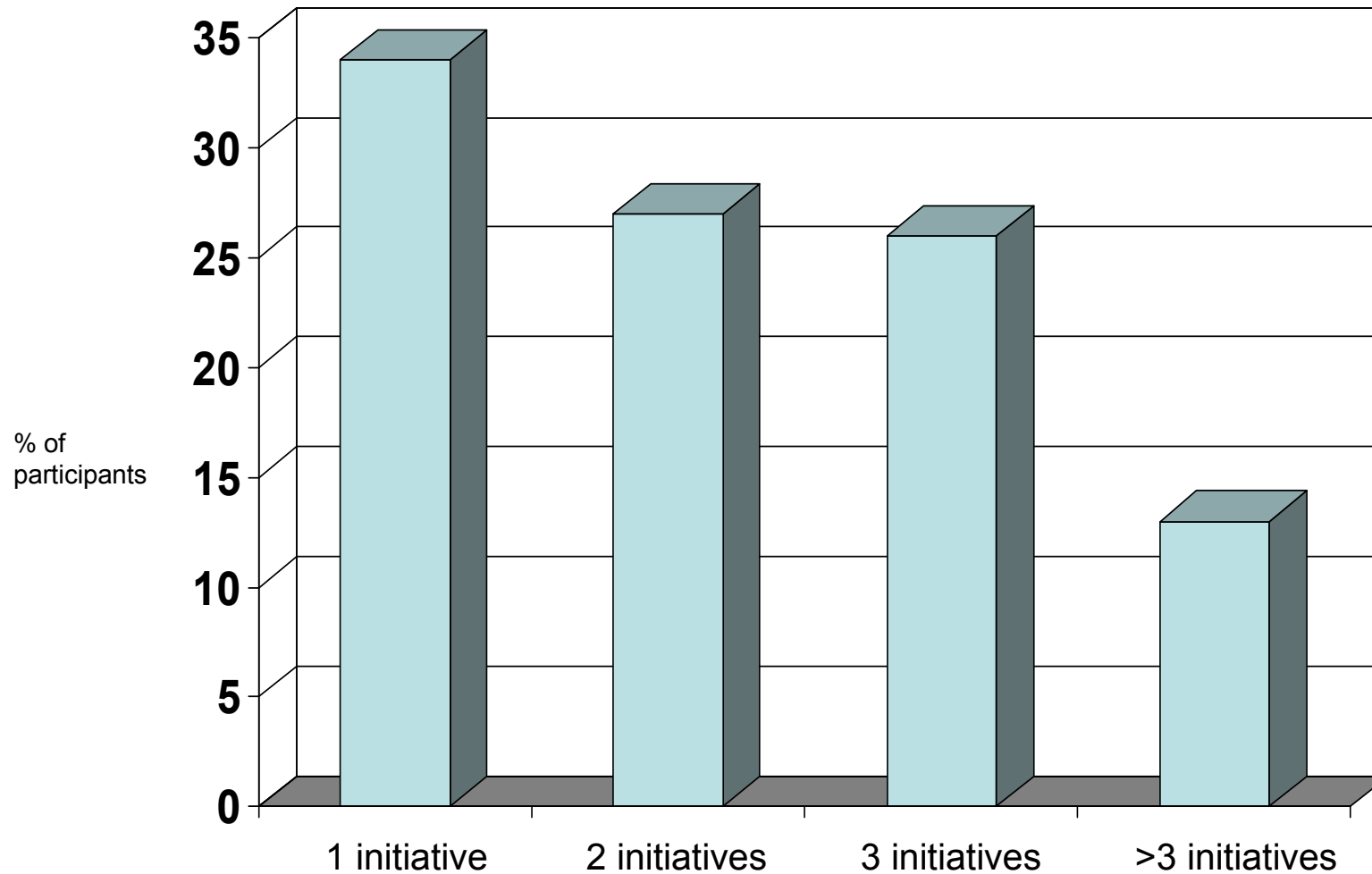
**The traditional approach to planning and budgeting is becoming outdated and in fact may be 'Red Herrings'**

**The typical addition to processes are becoming barriers (especially annual processes)**

**Given the rate and pace of change and transition in organisations we find it difficult to organise around our strategy**

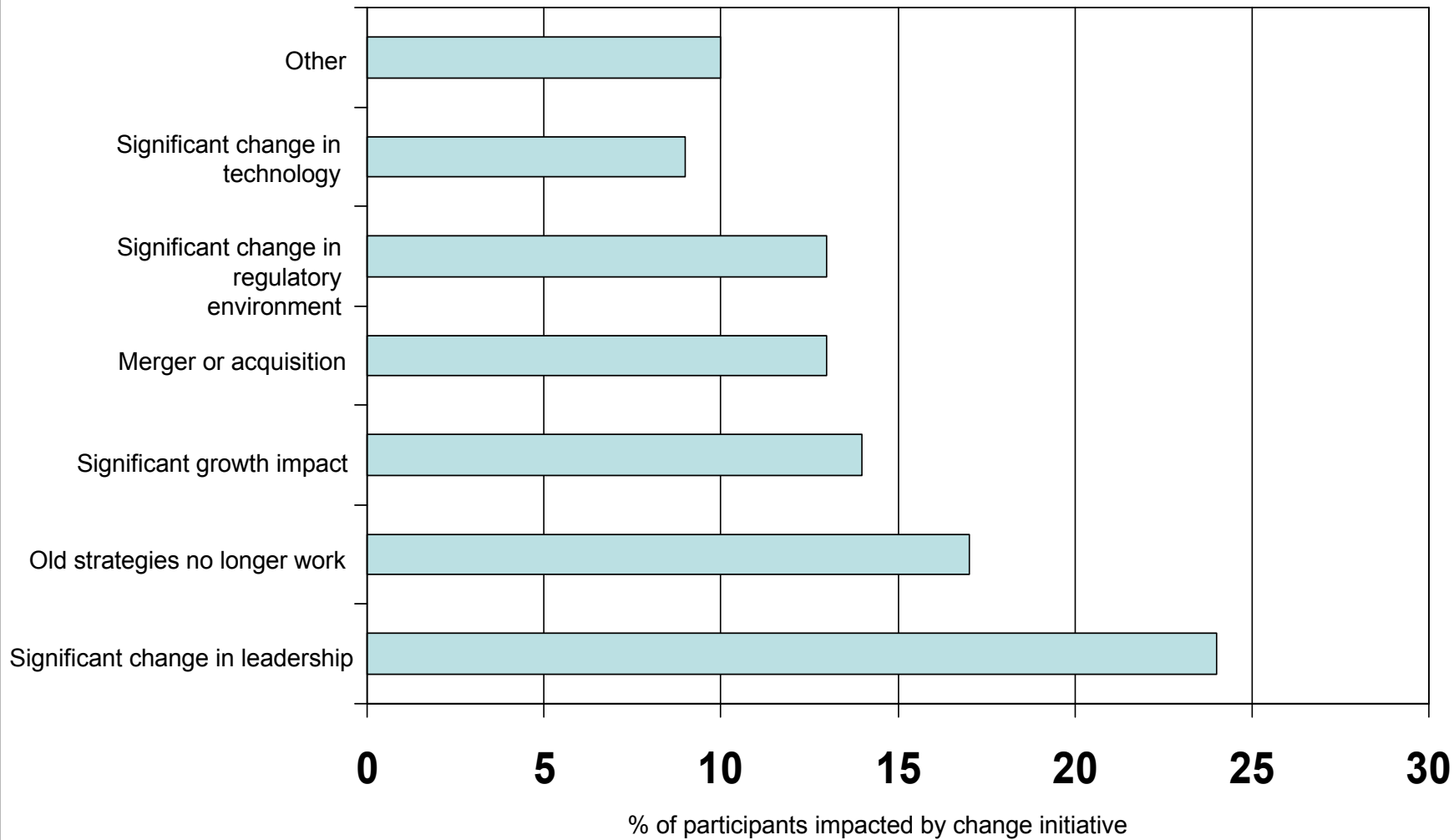
Change is significant and constant.

Percentage of participants that have been recently engaged in 1 or more major and significant change initiative over the past 24 months



## Change impacts areas of organisational direction and leadership

### Participant's areas of major and significant change



# LOOKING FORWARD

4 Concepts representing 9  
ideas in 15 minutes!

## Concepts for success

### **Develop and instil the organisation's DNA**

1. Paint the big picture
2. Identify your Success Formula
3. Provide the inspiration

### **Focus on developing leadership capability**

- 4 Use battleship tactics

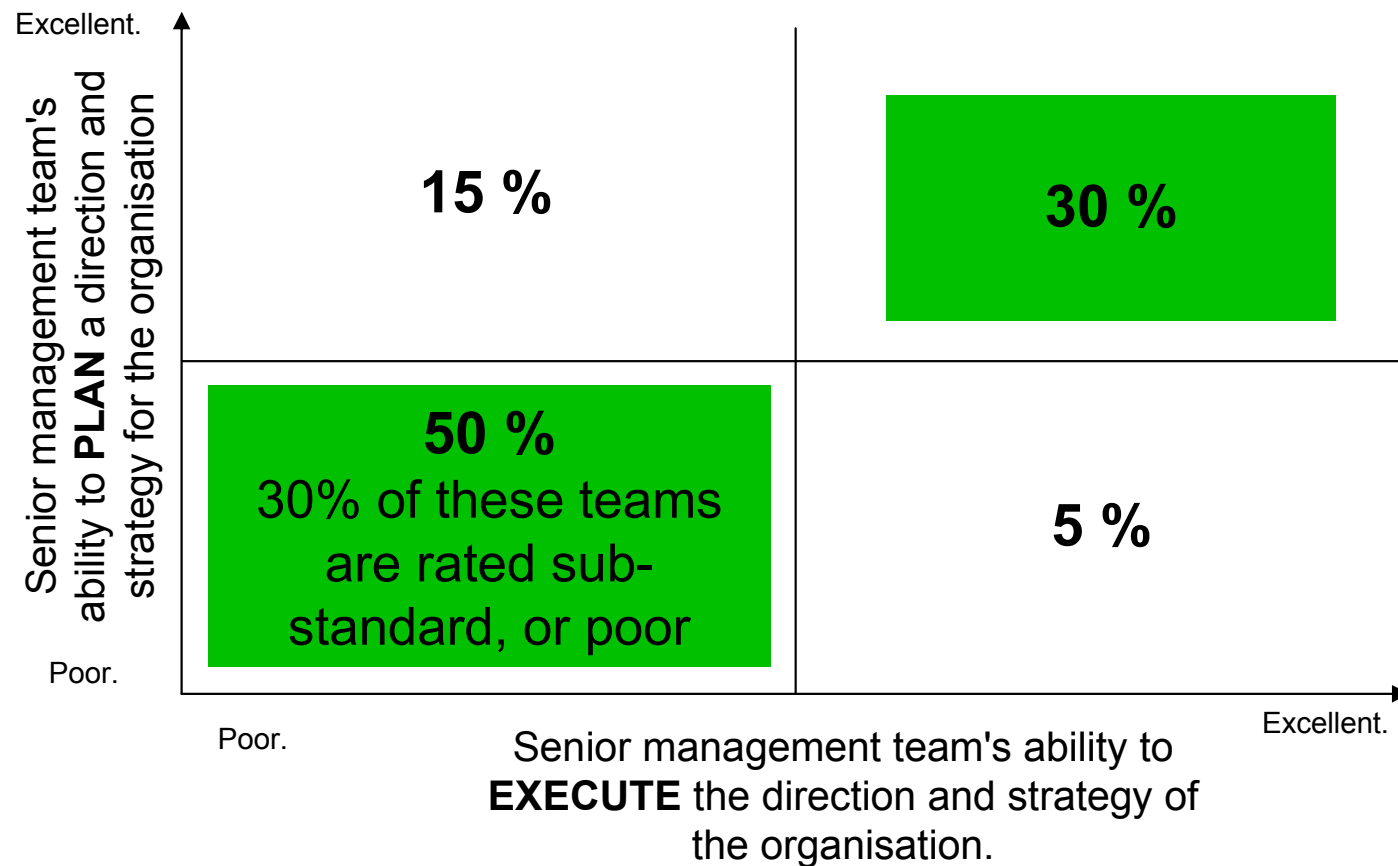
### **Manage the operation as a dynamic, real time going concern**

- 5 Eliminate the annual planning and budgeting process
- 6 Invest not expense your resources
- 7 Use portfolio management
- 8 Teach project behaviours and capacity building

### **Enable not constrain employees with your processes and policies**

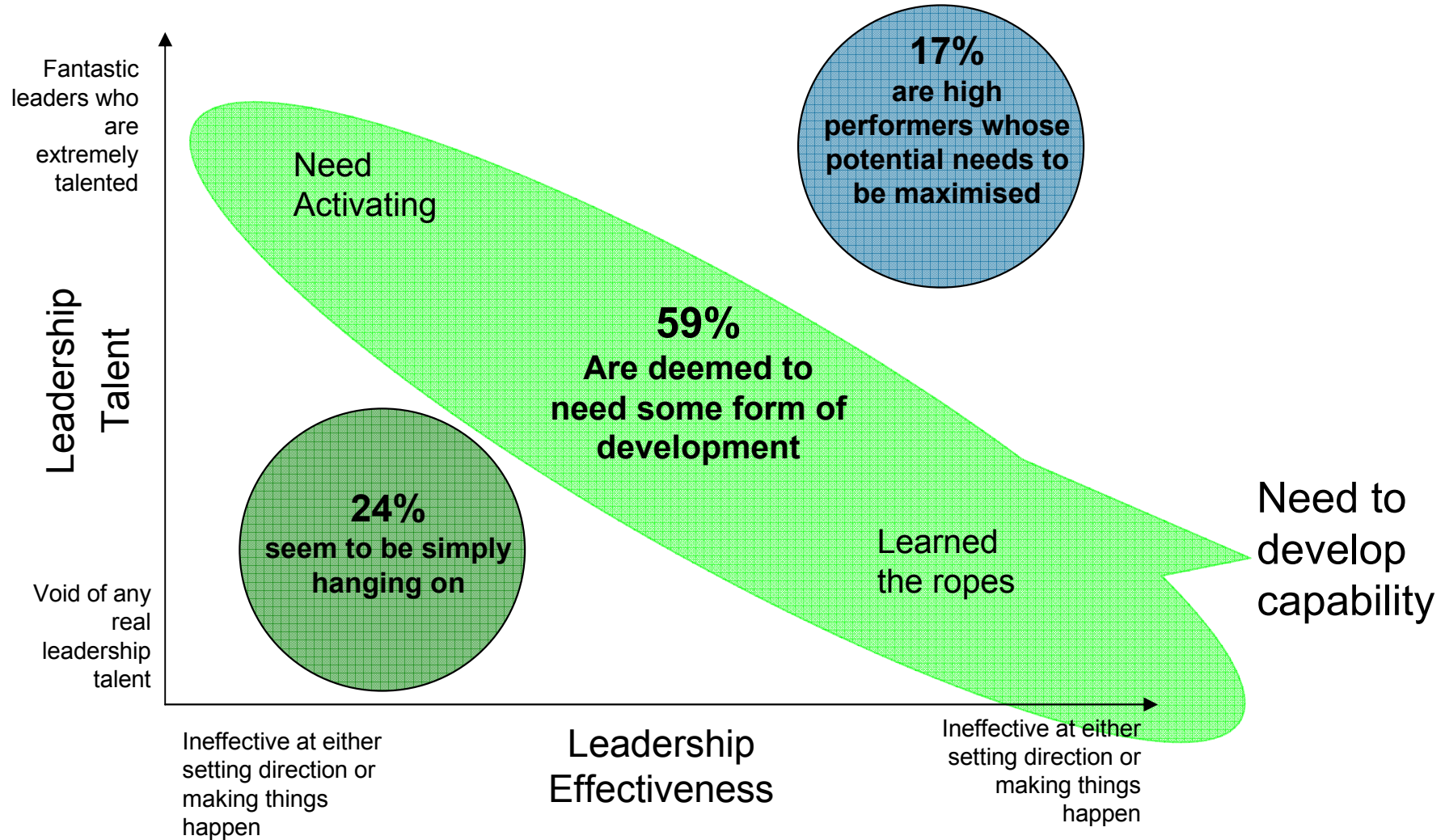
- 9 Discard your annual processes

## Half of the leadership teams can neither plan nor execute

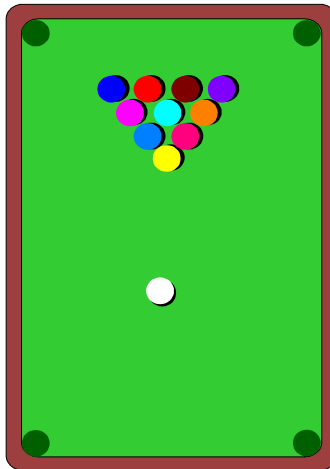


We also found that if leaders can execute then they are also typically good at planning. However the reverse is not true. If leadership teams are good at planning they are not necessarily good at executing.

## There is a distinct need to develop our leadership talent



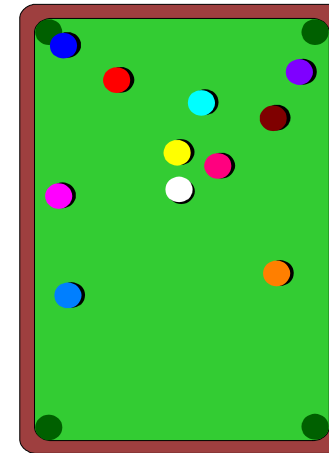
## Development needs to focus on the dynamic areas of leadership



### In the mechanics of leadership – 22%

- Develop strategy and planning skills 19%
- Develop industry knowledge, technical, and other skills 3%

*Upon initiating a “mechanic” process, dynamic forces are unleashed which interact with each other, like the forces that are unleashed upon hitting the cue ball.*



### In the dynamics of leadership – 76%

- Develop their interpersonal and communications skills 24%
- Personally display the organisations behaviours and values 21%
- Develop an approach that minimises their personal agendas 20%
- Influence others to do the work rather than doing it themselves 11%

Where should the focus of development be?

## In Conclusion

### Finance Function Expectations

- **No Surprises**
- **Integrated finance**
- **Execution excellence**
- **Strategic business partner**

### Finance Function Reality

- **Planning/budgeting value is in question**
- **Processes are becoming barriers**
- **Change makes it difficult to align to strategy**

### Concepts for success

#### Develop and instil the organisation's DNA

1. Paint the big picture
2. Identify your Success Formula
3. Provide the inspiration

#### Focus on developing leadership capability

- 8 Use battleship tactics

#### Manage the operation as a dynamic, real time going concern

- 4 Eliminate the annual planning and budgeting process
- 5 Invest not expense your resources
- 6 Use portfolio management
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#### Enable not constrain employees with your processes and policies

- 9 Discard your annual processes

## Conclusion

Given the entwined stakeholders and multiple expectations Finance Functions and their leaders need the flexibility to adjust in an evolving environment. Fixed, bureaucratic, and complex systems make them unresponsive to change – we need to go beyond planning, beyond the numbers and get back to work driving the business forward! Those CFOs who are successful just may be tomorrow's.....CEO